

# A CONSUMER GUIDE TO INSURANCE NEEDS FOR SENIORS & EMPTY NESTERS





A CONSUMER GUIDE TO

# INSURANCE NEEDS FOR SENIORS & EMPTY NESTERS



# • • • • Table of Contents • • • •

About Insure U • • • • •	1
Empty Nesters / Seniors Considerations • • • • •	1
Who We Are • • • • •	2
Resources for Maryland Consumers • • • • •	2
Auto: Traveling On • • • • •	3
Home: Small is Beautiful • • • • •	4
Life: Late-In-Life Insurance • • • • •	5
Health: Happy, Healthy and Hip (replacement) • • • • •	7
Regarding Medicare • • • • •	8

# About Insure U

Ever feel overwhelmed trying to figure out your insurance? Well, now you have help. Together, your state regulator of insurance (Maryland Insurance Administration) and the national organization for insurance regulators (National Association of Insurance Commissioners) developed a series of educational materials aimed at you, the consumer. The materials take into account your current stage of life and which insurance products you are most likely to need.

Therefore, the material on “Young Singles” offers the appropriate guidance for those newly on their own. The material on “Young Families” will be most pertinent to those just starting to raise a family. Teenagers raise new insurance questions, so material is provided to address the needs of “Established Families.” However, “Empty Nesters” will find the material on “Seniors” most helpful.

They say “Knowledge is power,” and you have it all right here in easy to understand, everyday terms. This brochure is a first step to feeling “smart” about insurance. The Maryland Insurance Administration is available to help, so visit our web site at [www.insurance.maryland.gov](http://www.insurance.maryland.gov) or call us at 800-492-6116.

## Empty Nesters / Seniors Considerations

As an empty nester whose children have recently left home or a senior citizen, you're probably familiar with the basic facts about insurance. However, your needs at this stage of your life have likely changed significantly since you first purchased an insurance policy.

For example, at this stage of your life, you may be planning to sell your home and retire to a new area, considering long-term care coverage or evaluating whether it makes sense to purchase an annuity. In addition, as a senior, you may now qualify for certain discounts on your auto and homeowner's policies.

To be sure, there are many important insurance decisions to consider during this phase of your life, making this a good time to re-evaluate your needs.

Consider these four types of insurance coverage:

- I. Auto Insurance
- II. Home Insurance
- III. Life Insurance
- IV. Health Insurance

# ● ● ● ● ● Who We Are ● ● ● ● ●

The Maryland Insurance Administration (MIA) is the State Agency that regulates the business of insurance in the State of Maryland. If you are having a problem related to an insurance policy that is sold to you here in Maryland, the MIA will try to help you resolve that problem. If you have purchased the policy elsewhere, contact us and we can give you the contact information for the state that can help with your problem.

We provide assistance to consumers, businesses, health care providers (doctors, hospitals), and producers (agent or broker) in all areas of insurance, including life, health, disability, automobile, homeowners, and property.

The MIA is here to protect your consumer rights. If you feel that:

- the terms of any policy you receive are not what you agreed to;
- you have purchased additional unnecessary insurance;
- you have been charged for a policy that you did not authorize;

please contact us at:

410-468-2000 or 800-492-6116

410-468-2020 (Fax)

*www.insurance.maryland.gov*

When you contact us, it will be beneficial to know the name of the insurance company and who sold you the policy.

# ● ● ● ● ● Resources for Maryland Consumers ● ● ● ● ●

The MIA produces consumer guides, rate comparisons and frequently asked questions related to various types of insurance. The following is a sample list of available publications:

- *Consumer Guide to Homeowner Insurance*
- *Consumer Guide to Automobile Insurance*
- *Consumer Guide to Health Insurance*
- *An Insurance Preparedness Guide to Natural Disasters*
- And more . . .

You can access this information in several ways:

- Download it from our web site, *www.insurance.maryland.gov*, on the *Consumer Publications* page; or call or write the agency to have copies mailed to you.
- Visit our display at any number of community events around the State.
- Find these printed materials at various state and local agencies.

# ● ● ● ● Auto: Traveling On ● ● ● ●

There is a nice benefit to growing older! At this life stage, you can take advantage of several age-related discounts.

- For example, as a mature driver (typically age 55 – 70), you may be eligible for discounts. After age 70, the incidence of serious accidents escalates significantly so the discounts might cease.
- Discounts may also be available for seniors who limit the amount of driving they do – for example, to less than 7,500 miles per year – or agree to only drive during daylight hours. When you retire or change jobs and work or stay closer to home – and therefore need to drive less – you should inform your insurance company as you may be able to get lower rates.
- If you have worked for the same employer for many years, let your insurer know. Those who show stability in their employment may qualify for an auto premium discount.
- If your children have turned 18, left home and are regularly not driving your vehicle, alert your insurance company, as your auto premiums may decrease.
- Consider taking a senior driving refresher course, such as AARP’s 55Alive or a program run by the National Institute of Highway Safety or AAA. Participation in these programs should help you qualify for a discount.
- Since your net worth may still be growing, or at its highest at this stage of your life, consider whether it makes sense to purchase an “umbrella policy” to raise your auto liability coverage, for example to \$1 million, in order to protect your assets.
- If you are driving an older vehicle not worth much in current book value, consider dropping collision insurance. With older cars, the cost of collision coverage can exceed the value of the car.

## Key Considerations for Auto:

- Comply with Maryland’s mandates for minimum auto insurance coverage and consider umbrella coverage.
- Consider what vehicle you drive and other driving habits.
- Research all available discounts.

For more information about auto insurance, refer to the MIA’s *Consumer Guide to Auto Insurance* and *Auto Insurance Comparison Guide to Rates*.

# ●●●Home: Small is Beautiful●●●

At this stage of your life, you may be in a downsizing mode. So you can look for ways to bring your costs down by bringing your insurance in line with your scaled back lifestyle. At the same time, be careful to protect assets you have worked so hard to accumulate.

Here are some tips:

- Let your insurance company know when you retire, as senior discounts may be available because you will likely be around home more of the time and can watch over your home/possessions.
- Consider adding more homeowner's liability coverage – and/or an umbrella policy for \$1 million. At this stage of your life, you may have more assets to protect in the event you are sued. If you decide on an umbrella policy, note that these policies often cover both home and auto liability, and are separate from your homeowner's and auto policies. If you decide to start a home-based business after retiring from your "first career," consider adding to your homeowner's liability coverage.
- In maintaining your residence, you must also realize that you are liable for things that happen on your premises. Your policy should protect you against lawsuits due to these types of liability issues.
- Reassess the current value of your home or condominium and your possessions to see whether you need to increase your insurance to cover their replacement costs in today's market, as the price of real estate has risen significantly during recent years.
- Reassess the value of your expensive possessions, like jewelry, heirlooms or art, for which you may need a special "floater policy" for extra insurance coverage.
- If the cost of homeowner's insurance and other costs, such as maintaining your home, are becoming too high, consider renting instead of owning. Renter's insurance is typically less expensive than homeowner's, as you are insuring your possessions and not the dwelling itself. Recently, some insurers in Florida and the Gulf states have raised homeowner's premiums by 20-30% following hurricanes Katrina and Rita, hitting seniors particularly hard.
- If you purchase a vacation home or boat, see if you can consolidate your homeowner's coverage from the same insurer and possibly qualify for a multiple policy discount.



- If you've just paid off your mortgage – and up until now your homeowner's insurance has been paid through your mortgage company – be sure to notify the insurance company to send the premium bills directly to your home address, and remember to pay the premiums on time so that your policy does not lapse, as there is no grace period in a homeowners policy.
- Most Standard homeowners insurance policies do not cover losses from flood. Therefore, you may want to consider purchasing flood insurance even if you do not live in a flood zone. You can purchase a flood policy to cover your home and a separate flood policy to cover your personal belongings; a standard flood insurance policy does not automatically provide both coverages. Please note that flood insurance is underwritten by the federal government.

### Key Considerations for Homeowners:

- Keep your policy limits current as you downsize, change how you use your home or add other properties.
- Consider flood insurance and appropriate riders for protection of your belongings.
- Make sure you take advantage of discounts where you qualify.

For more information about homeowners insurance, refer to the MIA's *Consumer Guide to Homeowners Insurance* and *Homeowners Insurance Comparison Guide to Rates*.

## ● ● ● ● ● Life: Late-in-Life Insurance ● ● ● ● ●

Now is a good time to re-evaluate your life insurance to determine whether you still need as much coverage as you did when your family was younger and you had a large mortgage on your home. Your circumstances have likely changed.

- If you are covered by a group life insurance policy through your job and are planning to retire soon, inquire as to whether you can convert it to an individual policy.
- Review your policies to determine whether you can decrease coverage. Consider these factors:
  - Is your spouse alive?
  - Is your home paid off?
  - What other financial assets do you have in addition to life insurance?
  - Are your children now financially independent?
  - Do you have high current debts or anticipate estate taxes that would be a struggle for your survivors to pay off after you die?

- Be sure to update your beneficiaries. For example, has your spouse died, or have you remarried?
- If you have a cash value life policy, consider whether you can use some of the money built up in the policy to pay for long-term care insurance premiums, if long-term care insurance makes sense for you.
- Once you reach age 59 1/2, you are eligible to withdraw funds penalty-free from your 401K or IRA. At this time, you may be considering the purchase of an annuity – a contract with an insurance company that promises to pay a series of income payments at regular intervals in return for premiums you have paid. Explore the different types of annuities available:
  - Single premium
  - Multiple premium
  - Fixed
  - Deferred
  - Variable

If you are approached, make sure you examine whether an annuity makes sense for you in terms of your age and income needs.

Ask whether the annuity lets you tap into your principal if you should need it, or whether there are stiff penalty fees. Be sure you understand the fees associated with the annuity, as well as the special tax treatment of annuities: namely that income tax on annuities is deferred until you start receiving the income payments. For more information about annuities, refer to the MIA's *Consumer Guide to Annuities*.

- If you are strapped for cash and are considering selling your life insurance policy to a third party in return for a sum of money, called a life settlement, carefully consider the impact on your beneficiaries and whether it will affect your eligibility for any other public assistance you may be receiving.

Also, before you make any decisions, be sure to check out the legitimacy of the company to which you are considering selling your policy by calling your state insurance department. For more information on selling your life policy, refer to our guide, *What you Should Know Before You Sell Your Life Insurance Policy*.

- If you are considering the purchase of a “Final Expense” policy – a small whole life policy, usually with coverage under \$10,000 and often sold to seniors up to age 85 – be aware that some are sold as guaranteed issue and come with steep charges. Furthermore, they typically don't pay a full benefit in the first two or three years of the policy.

### Key Considerations for Life:

- Evaluate your options to convert employer policies and / or reduce existing coverage limits.
- Keep your beneficiaries current.
- Consider long-term care insurance and any annuity options carefully.

For more information about life insurance, refer to the MIA's *Consumer Guide to Life Insurance*.

- Health: Happy, Healthy and Hip (replacement).

As you age, health insurance considerations become paramount. Here are several issues you need to address:

- Are your children still in college full-time? You may be able to cover them under your existing health plan if you are still employed. If your children are in college out-of-state, you may need to explore a health plan through the school or from a private insurance company in the geographic area where they live for most of the year. For details about how long your children may stay on your health insurance, see the MIA's *Consumer Guide to Health Insurance*.
- If you decide to retire or have been laid off from your job before you turn 65 – and you are not yet eligible for Medicare, what do you do?
  - Check to see if you are eligible to continue to get health insurance at the group rates from your former employer under COBRA (Consolidated Omnibus Budget Reconciliation Act). COBRA is a federal law enacted in 1985 that typically entitles you to continue your employer's coverage for up to 18 months. Note that you will be responsible for paying the premiums for this insurance and that you must let your former employer know within 60 days of leaving your job if want to continue your health benefits.
  - If you are no longer employed and your COBRA benefits have run out – but you are still not yet eligible for Medicare – you might want to consider a catastrophic or high-deductible medical plan which typically carries lower premiums than other individual policies. The caveat here is that people with serious pre-existing health problems like heart disease, diabetes or Multiple Sclerosis typically can't get catastrophic health insurance.
- Be wary of health discount cards. If you are considering the purchase of a health discount card of any sort – for example to cover pharmaceuticals, dental care or doctor visits – be sure to investigate whether the insurer is legitimate or has had complaints filed against it by contacting the Maryland Attorney General's Consumer Protection Division at 800-743-0023. Also

find out exactly what is covered and whether your physician/ dentist accepts the card.

- Consider whether you still need disability insurance. Important considerations include whether you are still employed, your age, how many years you have until eligibility for Social Security, your individual financial needs and your ability to pay the premiums, which typically escalate significantly as you age.
- Carefully evaluate whether long-term care insurance make sense for you. Before purchasing long-term care insurance, do a thorough analysis of your financial situation to be sure you can continue to afford the premiums for an extended period of years – through your old age until death – and figure out whether you have significant savings or other financial assets you want to protect. Many people find they cannot afford the premiums as they get older and get closer to the point when they are most likely to need the coverage. In addition, make sure you know what triggers will result in benefit payments, as well as the likelihood and potential size of premium increases. Refer to the *National Association of Insurance Commissioner's Shopper's Guide to Long-Term Care Insurance* to learn more about the policies. Contact the MIA for this brochure.

### Key Considerations for Health Insurance:

- Learn about your health coverage options if you retire before age 65.
- Review any health discount card options carefully.
- Consider your continued needs for disability and long-term care insurance.

## ●●●●Regarding Medicare●●●●

As you near the Medicare age of 65, you will need to decide whether you want traditional Medicare or a Medicare Advantage plan.

Traditional Medicare includes Medicare Part A, hospital insurance, and Part B, doctor bills. Part A is already paid for through your contributions over your working lifetime. Part B requires that you pay monthly premiums that can be automatically deducted from your Social Security check, if you are already collecting.

As you get ready to enroll in Medicare, you may also want to consider purchasing – at incremental cost – a Medicare supplement or Medigap policy to pay for those medical/hospital expenses and deductibles not covered by Medicare. Medicare supplements or Medigap policies are offered by a number of private insurers that have been approved by Medicare. Contact the MIA to obtain a copy of *Choosing a Medigap Policy - A Guide to Health Insurance for People With Medicare*.

Another option is a Medicare Advantage plan. Medicare Advantage plans, which replace the current Medicare + Choice plans, are offered by some private companies that sign a contract with Medicare. Before purchasing a Medicare Advantage plan, find out what hospitals are in-network and which doctors are included.

There's been a great deal of attention to Medicare's newest offering: the prescription drug benefit known as Medicare Part D. If you're currently receiving Medicare, then you are also eligible for Medicare Part D. To decide whether to enroll, consider the following:

- Do some calculations to see whether the plan is likely to save you money. For example, add up what you spent on prescriptions during the past 12 months and see if that amount is greater, or less than, the annualized cost of Medicare D – the premiums plus the deductible.
- Different private insurers have been approved by Medicare to administer this drug benefit. If you decide to enroll, determine which private insurer's plan best suits your needs. Make sure that the plan you select covers a drugstore convenient to you and the specific prescription drugs you currently take.
- If you are currently receiving retiree medical benefits from your former employer, call the company's benefits department to find out how they are handling the new Medicare drug benefit. Some companies may consider dropping retiree medical/drug benefits for people who sign up for the new Medicare drug benefit. Calculate which benefits are better for your individual situation.





This consumer guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific insurance policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.

This publication has been produced by the Maryland Insurance Administration (MIA) to provide consumers with general information about insurance-related issues and/or state programs and services. This publication may contain copyrighted material which was used with permission of the copyright owner. Publication herein does not authorize any use or appropriation of such copyrighted material without consent of the owner.

All publications issued by the MIA are available free of charge on the MIA's website or by request. The publication may be reproduced in its entirety without further permission of the MIA provided the text and format are not altered or amended in any way, and no fee is assessed for the publication or duplication thereof. The MIA's name and contact information must remain clearly visible, and no other name, including that of the company or agent reproducing the publication, may appear anywhere in the reproduction. Partial reproductions are not permitted without the prior written consent of the MIA.

**Persons with disabilities may request this document in an alternative format. Requests should be submitted in writing to the Director of Public Affairs at the address listed below.**



200 St. Paul Place, Suite 2700  
Baltimore, MD 21202  
410-468-2000  
800-492-6116  
800-735-2258 TTY

*[www.insurance.maryland.gov](http://www.insurance.maryland.gov)*

**Lawrence J. Hogan, Jr.**  
Governor

**Boyd K. Rutherford**  
Lt. Governor